

## **The Affordable Care Act at Year Two**

**March 2012**

The 2010 health reform law, the Affordable Care Act (ACA), has made critical changes to the nation's health care system. Although many of the law's provisions will not take effect for some time, a number of important aspects of the health reform law are already improving the lives of many Americans. This is true for children and adults with mental disabilities, who have historically experienced major barriers to care. The following highlights some of the ACA's key achievements.

### **The ACA Has Increased Access to Care and Protected Consumers...**

#### **By Expanding Coverage for Young Adults**

The ACA now requires insurance companies to allow dependent children to remain on their parents' health insurance policies until the age of 26. Youth transitioning to adulthood often have a difficult time accessing and maintaining coverage, and those with mental illnesses are at greater risk for being uninsured.

#### ***The Law in Action***

Employee Benefit Research Institute data indicate a significant increase in the percentage of young adults covered by insurance, from 24.7% in 2010 to 27.7% in 2011.<sup>1</sup> The number of young adults covered as a dependent increased from 7.3 to 8.2 million. Similarly, the U.S. Department of Health and Human Services (HHS) found that the percentage of people ages 19-25 who have any insurance coverage increased from 64% to 73% as of June 2011, which translates into 2.5 million additional young adults with coverage.<sup>2</sup>

#### **By Offering Immediate Access for Individuals with Pre-existing Conditions**

The ACA creates options for states and the federal government to provide insurance coverage for people who have been uninsured for more than six months and have been denied coverage based on pre-existing conditions. This is particularly important for people with mental illnesses, who often fail to qualify for individual or small-group insurance because their disorder constitutes a pre-existing condition.

#### ***The Law in Action***

The federal government is now operating Pre-existing Condition Insurance Plan (PCIP) programs in 23 states and the District of Columbia. The remaining states are running their own pre-existing condition insurance programs. According to the Center for Insurance Reform and Oversight, the ACA is now providing coverage for nearly 50,000 Americans with pre-existing conditions.<sup>3</sup> The federal government also made a number of improvements to the program in 2011.<sup>4</sup> More information and application instructions can be found on the PCIP website ([www.pcip.gov](http://www.pcip.gov)).

### **By Closing the Prescription Drug “Donut Hole”**

The ACA also addresses the gap in coverage under Medicare Part D (prescription drug coverage). Prior to the ACA, once consumers spent a certain amount on prescription medications, they then had to for pay the entire cost of additional medications until their out-of-pocket costs reached a certain level and Part D coverage would resume. This gap is commonly referred to as the “donut hole.”

Beginning in 2010, the ACA provided for a \$250 rebate for each person who spent money on a prescription while in the “donut hole.” This decreases consumers’ share of their “donut hole” drug costs. Medicare will cover an increasing share of beneficiaries’ “donut hole” costs in the coming years. By 2020, Medicare will cover 75% of “donut hole” drug costs—the same proportion covered before the “donut hole,” thus eliminating it.

A significant proportion of people on Medicare because of a disability have psychiatric disabilities. Their income tends to be low and “donut hole” costs are a serious burden for them. The ACA’s changes to the Part D benefit will, therefore, prove very helpful for them.

#### ***The Law in Action***

HHS data indicate that more than 3.5 million Medicare beneficiaries who reached the Part D coverage gap or “donut hole” saved \$2.1 billion on their prescription medications in 2011.<sup>5</sup>

### **By Ending Pre-existing Condition Exclusions**

The ACA prohibits insurers from denying coverage to certain individuals because they have a chronic condition, or have been sick in the past. This provision of the law is particularly important for people with mental illnesses. Many insurance companies currently consider mental illnesses to be pre-existing conditions, so people with mental illnesses often fail to qualify, particularly for individual or small-group insurance. If they do qualify, they often face lengthy waiting periods or exclusions on coverage for services provided for that pre-existing illness. This provision is effective now for children and adolescents under the age of 19, and will take effect for all plans beginning January 1, 2014.

#### ***The Law in Action***

HHS estimates that under the new law, up to 72,000 children who would otherwise be uninsured will gain coverage, and an additional 90,000 children are seeing their coverage limitations disappear under the new law.<sup>6</sup>

### **By Eliminating Lifetime Limits**

The ACA prohibits insurers from establishing lifetime limits on certain benefits in insurance plans. This means that insurers will not be able to cap the total amount of dollars that they will pay for certain benefits, such as mental health care, provided throughout the time an enrollee is in the plan. Individuals with chronic diseases, like serious mental illnesses, often reach their lifetime limit within several years due to the high cost of care, and are forced to find ways to pay out-of-pocket or obtain other insurance coverage. Eliminating lifetime limits will protect consumers from facing such financial hardship.

### *The Law in Action*

HHS data indicate that the health reform law has eliminated lifetime limits on coverage for more than 105 million Americans.<sup>7</sup> According to HHS, 70 million people in large employer plans, 25 million in small employer plans, and 10 million with individually purchased health insurance had lifetime limits on their health benefits before the ACA.

#### **By Regulating Annual Limits**

Beginning in 2014, the ACA will prevent new plans from placing annual limits on essential benefits. This means that insurers will no longer be able to limit the payments they make for certain services for consumers in a plan year. The ACA provides additional protections prior to 2014 by setting a minimum annual limit of \$1.25 million in 2011. This minimum will be raised to \$2 million beginning on September 23, 2012. These limits apply to all employer plans and all new individual market plans.

#### **By Ensuring Issue and Prohibiting Rescission of Coverage**

The ACA requires insurers to offer coverage to everyone who applies during annual or special enrollment periods, regardless of health status or medical history. Insurers must also renew or continue coverage for beneficiaries who wish to remain enrolled, without regard to their health status or other factors. Insurers are also prohibited from rescinding, or cancelling, coverage once a beneficiary is enrolled, except in cases of fraud or abuse.

#### **By Providing an Appeals Process**

The ACA provides consumers with a way to appeal coverage determinations or claims to their insurance company. Plans must now implement an effective process for allowing consumers to appeal health plan decisions. The ACA also requires new plans to establish an external review process for appeals.

#### **By Reducing Health Insurance Premiums**

As of January 2011, in order to ensure premium dollars are spent primarily on health care instead of on administrative costs, the ACA generally requires at least 80-85% of all health insurance premium dollars collected by insurance companies for large employer plans be spent on health care services and health care quality improvement. For plans sold to individuals and small employers, at least 80% of the premium must be spent on benefits and quality improvement. If insurance companies fail to reach these goals due to high administrative costs or profits, insurers must provide rebates to consumers.

The ACA also ensures that any proposed premium rate increase by individual or small group market insurers of 10% or more must be scrutinized by independent experts to make sure the increase is justified.

### *The Law in Action*

HHS Secretary Kathleen Sebelius recently declared that health insurance premium increases proposed in five states are “unreasonable” and indicated that such unreasonable increases must be rescinded.<sup>8</sup>

## **The ACA Has Improved Medicaid...**

### **By Making Improvements to Home- and Community-Based Services**

The ACA makes several changes to the state plan option to provide home- and community-based services (Section 1915(i) of the Social Security Act). The changes make the state plan option rules very similar to those for the home- and community-based waiver rules under Section 1915(c). The ACA amended the option in a number of ways, including: expanding the range of services that can be furnished; prohibiting states from limiting the number of individuals that can be served under the option; and allowing states to target certain populations, such as people with mental illnesses. These changes should encourage states to make greater use of this option, which could significantly benefit people with serious mental illnesses.

#### ***The Law in Action***

As of February 2012, eight states (Iowa, Nevada, Colorado, Washington, Wisconsin, Idaho, Louisiana and Oregon) have HHS-approved 1915(i) options in place, and many more are considering implementing the option to serve people with serious mental illnesses. A number of these states have targeted expanded services to people with serious mental illnesses.

### **By Creating Medicaid Health Homes**

The ACA establishes a new Medicaid state plan option designed to improve coordination and collaborative care for Medicaid beneficiaries with chronic conditions, including mental illnesses. States can elect to allow people with at least two chronic conditions, those with one chronic condition who are at risk of developing another, or those with a serious and persistent mental health condition to designate a provider as their “health home.”

Health homes may be a single provider or a team of providers selected by an eligible individual with chronic conditions. Community mental health centers are specifically listed in the law as being eligible for designation as a health home. Mental health professionals may also participate as part of any health home clinical team.

Collaborative care models that entrust one entity with the comprehensive management and coordination of an individual’s care have been found to be very effective in treating mental illness. Such systems offer an opportunity for prevention and early intervention, and can form a basis for improving the quality and affordability of care.

#### ***The Law in Action***

As of February 2012, HHS has approved Medicaid state plan amendments in three states (Missouri, New York and Rhode Island); three states (North Carolina, Oregon and Washington) are seeking approval; and 13 states (Alabama, Arizona, Arkansas, California, District of Columbia, Idaho, Maine, New Jersey, New Mexico, North Carolina, Washington, West Virginia and Wisconsin) have sought planning funds from the Centers for Medicare and Medicaid Services (CMS).<sup>9</sup> CMS has also launched the Integrated Care Resource Center to provide ongoing technical assistance to states that are interested in submitting an amendment.

### **By Expanding Medicaid Long Term Care Services**

The ACA established a new state plan option called the Community First Choice Option. Under this option, states can offer community-based attendant services and supports to assist

beneficiaries with incomes under 150% of poverty who would otherwise require an institutional level of care. The provision offers a broad definition of attendant services and supports, making it relevant for people with serious mental illnesses as well as others who have disabilities.

## **The ACA Has Enhanced the Health Care System...**

### **By Providing Consumer Assistance**

The ACA created a grant program to help states create or expand independent offices to help consumers navigate the health insurance system. These programs help consumers file complaints and appeals; enroll in health coverage; and learn about their rights and responsibilities in group health plans or individual health insurance policies. The programs also collect data on the types of problems consumers have, and file reports with HHS to identify trouble spots that need further oversight.

#### *The Law in Action*

Many states have consumer assistance programs in operation. States and territories that received the above-mentioned grants provide residents direct help with problems or questions about health coverage.<sup>10</sup>

## **The ACA Is Preventing Disease and Improving Quality...**

### **By Ensuring Access to Free Preventive Care**

Preventive health services are vital for people with mental illnesses and substance use disorders. Early identification of both health and mental health problems allows for early intervention which can effectively reduce the burden of disease on individuals, their families and communities. Under the ACA, plans must now provide coverage without cost-sharing requirements for certain preventive services. Screenings for depression and alcohol misuse, as well as for various chronic health disorders (such as diabetes) that people with mental illnesses are often at higher risk of developing. The ACA also now provides certain free preventive services, such as annual wellness visits and personalized prevention plans, for individuals on Medicare.

#### *The Law in Action*

HHS estimates that roughly 54 million Americans received expanded coverage of at least some preventive services due to the ACA.<sup>11</sup> Additionally, over half of individuals who are enrolled in fee-for-service Medicare – 18.9 million people – have used preventive services now provided to them at no cost.<sup>12</sup>

### **By Creating a National Quality Strategy**

The ACA will encourage best practices in the delivery of health care by creating a National Strategy for Quality Improvement to improve the delivery of health care services, patient health, outcomes and population health. The National Strategy for Quality Improvement will identify priorities that have the greatest potential for improving the health outcomes, efficiency, and patient-centeredness of health care for all Americans.<sup>13</sup> There will also be a focus on high-cost chronic diseases, such as mental illnesses.

**By Establishing the Prevention and Public Health Fund**

The ACA has established a Prevention and Public Health Fund to finance prevention activities and support public health programs. The new emphasis on prevention will include attention to mental health, and the federal Substance Abuse and Mental Health Services Administration will be involved in development of the national prevention strategy.

***The Law in Action***

On February 9, 2011, HHS announced \$750 million in funds from the Prevention and Public Health Fund to support a number of public health initiatives, including preventing tobacco use, obesity, heart disease, stroke and cancer; and to increase immunizations.<sup>14</sup> HHS also recently announced the availability of over \$100 million in funding for up to 75 Community Transformation Grants created by the ACA and funded through the Prevention and Public Health Fund in order to prevent and reduce chronic diseases, including mental illnesses.<sup>15</sup>

**By Creating a Center for Medicare and Medicaid Innovation**

The ACA has established a Center for Medicare and Medicaid Innovation that is testing new ways of delivering care to patients. These new methods are expected to improve the quality of care and reduce the rate of growth in costs for Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).

***The Law in Action***

On November 14, 2011, the Center for Medicare and Medicaid Innovation announced its Health Care Innovation Challenge. This challenge will award grants to applicants who will implement the most compelling new ideas to deliver better health, improved care and lower costs to people enrolled in Medicare, Medicaid and the Children's Health Insurance Program, particularly those with the highest health care needs.<sup>16</sup> The Center for Medicare and Medicaid Innovation Center also issued a report that highlights actions taken and progress made by the Center in its first year.<sup>17</sup>



## References

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